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SUBJECT: IRANIAN FM VISIT FOCUSES ON ECONOMICS

REF: MOSCOW 4506

Classified By: Ambassador William J. Burns for reasons 1.4 (b/d).

11. (C) Summary: Iranian FM Mottaki was in Moscow September 12 for what Russian officials characterized as a visit devoted to the countries' economic relationship. The GOR denied Mottaki's claim that Russia had agreed to finish construction of the Bushehr nuclear power plant and supply Iran with nuclear fuel, and said that discussions on these issues were still ongoing. Downplaying the visit, Russian officials emphasized that Mottaki's meeting with Rosatom head Kiriyeenko focused on the Iranian-Russian Intergovernmental Commission that is due to meet in December in Moscow. While Putin's planned trip to Tehran on October 16 for the Caspian Sea Summit is motivated by GOR gas interests, Putin will be accompanied by a Rosatom delegation seeking to advance commercial nuclear prospects. Putin's message that Iran must answer all outstanding concerns over its nuclear program will be leavened by the GOR interest in commercial engagement -- a balancing act that officials and experts believe essential to distinguishing the Russian position from that of the U.S. and preserving Russia's negotiation "influence.". End summary.

Mottaki Makes Big Claims for Moscow Visit

12. (C) Iranian FM Manuchehr Mottaki was in Moscow September 12 for meetings devoted to Iranian-Russian economic relations, according to contacts at the MFA and Rosatom. On October 14, MFA Iran Desk Officer Oleg Ishmukhametov downplayed the visit, stressing that the primary purpose of Mottaki's visit was to meet with Rosatom head Kiriyeenko, who co-chairs with Mottaki the Iran-Russia Intergovernmental Commission. The Commission, which is the main forum for developing bilateral economic cooperation, last met in December 2006 in Tehran and is due to meet this December in Moscow.

No Agreement on Bushehr

13. (C) GOR officials denied Iran's public claims regarding an agreement with Russia to complete the Bushehr nuclear plant. Vladimir Kuchinov, head of the International Relations Department at Rosatom, told us that that expert level talks on Bushehr, which he characterized as "technical" and "difficult," were continuing in Moscow and Tehran. He dryly added that Iranian claims such talks had concluded were "overstated." Ishmukhametov stressed that the two sides had yet to reach agreement on the issue of funds Iran still owed to Russia for the project. He confirmed that Shmatko of Atomstroyexport participated in the meeting and stated publicly that Bushehr was ninety-five percent complete and could potentially be completed next year. If the GOR decides to do so, Ishmukhametov said Russia would probably deliver fuel for the plant six months before it becomes operational.

Putin To Attend Caspian Sea Summit in Tehran

14. (C) Our contacts noted that Mottaki and Kiriyyenko discussed a possible Putin visit to Tehran in October to attend the Caspian Sea Summit. (Note: Putin foreign policy advisor Prikhodko confirmed for the Ambassador that Putin will attend the Summit and will meet with Iranian President Ahmadinejad. End note.) Rosatom's Kuchinov told us it would be "logical" for the Rosatom chief to accompany Putin on his trip. The MFA's Ishmukhametov explained that the summit would be an opportunity for the Caspian states, Russia, Iran, Azerbaijan, Kazakhstan, and Turkmenistan, to move towards agreement on disputed maritime boundaries that have serious implications for access to oil and gas deposits in the region. This process has been ongoing for several years and probably would not be completed in Tehran. Note: Russia's economic interests in Iran relate largely to competition to supply energy, especially gas, to Europe and East Asia. Any future agreements reached by Iran and potential transit states (e.g. Turkey) and/or consumers is likely to lessen Russian influence. End note.

5.(C) Ishmukhametov said that on the margins of the Caspian Summit, Russia will discuss Iran's nuclear weapons program and developments at the UNSC and IAEA. When asked to what extent he saw a connection between Bushehr and Iran's nuclear weapons program, Ishmukhametov claimed that the plant was an "anchor" to keep Iran in the Nuclear Nonproliferation Treaty (NPT). Russia could decline to complete the plant or deny Iran future cooperation on civilian nuclear reactors if it withdrew from NPT. As for the GOR's cautious approach toward dealing with the Iranian weapons program, Ishmukhametov spoke of the need to maintain good relations with an important

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neighbor and economic partner.

Russian Economic Interests Influence Iranian Ties

16. (C) Experts we spoke with agreed that Russian economic ties with Iran play a significant role in Russia's slow but steady efforts to complete Bushehr, as well as the GOR's general approach to the Iranian nuclear weapons program. Mikhail Meyer, Director of the Institute of Asia and Africa at Moscow State University, asserted that Russia not only hopes to sell future reactors to Iran, but wants to be the world's leading supplier of civilian nuclear technology. Pointing to the recent statements by representatives of Indonesia, Bangladesh, and Jordan that their countries are considering acquiring civilian nuclear plants from Russia (septel), Meyer said that economic considerations are dictating a Russian policy that seeks to avoid entangling commercial interests with international tensions. By maintaining amicable relations with Tehran, Russia can play a "useful" role in the region. According to Vladimir Evseev, an expert on military and nuclear policy at the Russian Academy of Sciences, this balancing act is made more difficult by the fact that Iran remains a major competitor of Russia in the gas market.

Comment

17. (C) Hosting Mottaki for a discussion of nuclear cooperation and Putin's expected participation in the October summit reflect a GOR calculus that what little real influence Russia has with Iran would be diminished if the GOR appeared to be siding categorically with the U.S. in opposing the Ahmadinejad regime. While we expect Putin to reiterate strongly the international community's insistence that Iran halt enrichment and answer all outstanding concerns over its nuclear program, the divergence in tactics between the GOR and its U.S. and EU partners remains.

Burns